

GOVERNMENT OF THE DISTRICT OF COLUMBIA
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Attorney General Racine Announces \$100 Million Multistate Settlement with Barclays for Manipulating Interest Rate

Manipulation Defrauded District Government and Nonprofit Groups

WASHINGTON, D. C. – Attorney General Karl A. Racine today announced a \$100 million multistate settlement with Barclays Bank PLC and Barclays Capital Inc. for fraudulent and anticompetitive conduct during the 2007-2008 financial crisis and its aftermath. The conduct involved Barclays manipulating a benchmark interest rate known as LIBOR, negatively affecting government entities -- including the D.C. Retirement Board -- and nonprofit groups nationwide to the tune of millions of dollars.

LIBOR (an acronym for “London Interbank Offered Rate”) affects financial instruments worth trillions of dollars, and it has a widespread impact on global markets and consumers. Barclays defrauded District nonprofit organizations and government entities when those groups entered into swaps and other investment instruments with Barclays -- doing so without knowing that Barclays and other banks contributing to setting U.S. dollar (USD)-LIBOR rates were manipulating LIBOR and colluding with other banks to do so.

Affected entities will be notified if they are eligible to receive restitution from the settlement.

“This is one example of the many ways that financial institutions misrepresented reality before, during, and after the 2007-2008 financial crisis -- ultimately harming government and nonprofit entities across the nation and the individuals those entities serve and represent ,” Attorney General Racine said. **“Our team and those of our colleagues from around the country worked hard to provide some restitution to entities in the District and around the country that were harmed by this anticompetitive and manipulative activity.”**

The investigation, conducted by a multistate working group of attorneys general from 44 states and the District and led by the attorneys general of New York and Connecticut, revealed that Barclays manipulated LIBOR in two different ways during the financial crisis and its aftermath:

- First, during the period of 2007-2008, Barclays' managers frequently told its LIBOR submitters to understate their LIBOR settings in order to avoid the appearance that Barclays was in financial difficulty. The LIBOR submitters complied with the instructions and suppressed their LIBOR submissions during that period, resulting in a manipulated interest rate that was used in multitudes of financial transactions. Barclays also believed that other banks' LIBOR submissions likewise did not reflect their true borrowing rates, and therefore was aware that published LIBOR rates misrepresented the cost of borrowing funds in the market, which LIBOR was supposed to do.
- Second, the investigation identified instances when Barclays' traders asked Barclays' LIBOR submitters to change their LIBOR settings in order to benefit Barclays' trading positions, and the submitters often agreed to the requests. At times, those requests came from traders outside the bank, and Barclays traders agreed to pass them along to Barclays' submitters, thus colluding with other banks.

A total of \$93.35 million will be available for restitution for these entities that entered into LIBOR-linked swaps and other investment contracts with Barclays between 2005 and 2010. The balance of the settlement funds will be used to pay costs and expenses of the investigation and for other uses consistent with state law.

Barclays is the first of several USD-LIBOR-setting banks under investigation by the state attorneys general to resolve their claims against it, and Barclays has cooperated fully from the outset. Such cooperation can facilitate civil enforcement efforts, which include obtaining restitution for victims. The investigation into the conduct of other LIBOR-setting banks is ongoing.

“My thanks to former Assistant Deputy Attorney General Bennett Rushkoff Attorney and Assistant Attorney General Catherine Jackson in the Office of the Attorney General’s Public Integrity Unit for their work with the multistate group on this case,” Attorney General Racine said.

In addition to the District, other states joining the Barclays settlement include: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

A copy of the settlement agreement is attached.